

Message Text

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TAGS: EFIN, EEC
SUBJECT: VAN YPERSELE STATEMENT TO FINANCE COUNCIL

REF: BRUSSELS 10004

1. MISSION HAS OBTAINED CONFIDENTIAL COPY OF TEXT OF
VAN YPERSELE ORAL STATEMENT TO THE EC FINANCE COUNCIL
REPORTING ON MONETARY COMMITTEE WORK ON MEASURES TO
PROMOTE EXCHANGE STABILITY.

2. BEGIN STATEMENT: PURSUANT TO THE REQUEST OF THE
EUROPEAN COUNCIL IN COPENHAGEN TO EXAMINE THE NEED FOR
GREATER MONETARY STABILITY BOTH WITHIN THE COMMUNITY AND
AT WORLD LEVEL, AND TO THE MANDATE FROM THE COUNCIL AT
ITS MEETING OF 17 APRIL, THE MONETARY COMMITTEE DURING
ITS MEETING ON MAY 11 EXAMINED THE WAYS OF PROMOTING
GREATER STABILITY IN EXCHANGE RELATIONS BETWEEN EEC
MEMBER CURRENCIES.

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THE COMMITTEE IS NOW PREPARING A REPORT WHICH SHOULD BE
AVAILABLE FOR THE JUNE MEETING OF THE COUNCIL, I.E. WELL
IN ADVANCE OF THE EUROPEAN COUNCIL MEETING IN JULY.

AS A STARTING POINT, THE COMMITTEE WILL STRESS THE NEED
TO AVOID EXTREME POSITIONS AS BETWEEN TWO SETS OF

POSSIBLE OPPOSING VIEWS:

(A) THE VIEW THAT ECONOMIC CONVERGENCE SHOULD BE SOLELY RESPONSIBLE FOR ACHIEVING EQUILIBRIUM ON EXCHANGE MARKETS AND ITS OPPOSITE THAT EXCHANGE RATE ARRANGEMENTS ALONE COULD BE MADE TO WORK WITHOUT SUFFICIENT SUPPORT FROM DOMESTIC ECONOMIC POLICIES.

(B) THE VIEW THAT ALL EFFORTS SHOULD BE EXCLUSIVELY CENTERED ON STABILIZING THE RELATIONSHIPS BETWEEN EUROPEAN CURRENCIES AND ITS OPPOSITE THAT THE MAIN EMPHASIS SHOULD BE PLACED ON INTERNATIONAL ACTION TO ACHIEVE GREATER STABILITY OF THE DOLLAR.

IT IS THE OPINION THAT THE TWO SETS OF OPPOSING VIEWS ARE IN FACT COMPLEMENTARY AND THAT A MIDDLE COURSE NEEDS TO BE FOUND IN BOTH CASES.

IN OTHER WORDS, AS A STARTING POINT FOR ITS REPORT, THE COMMITTEE SEES GOOD REASON TO ASSUME THAT THE COUNCIL DESIRES TO TAKE STEPS TO BRING ABOUT EXCHANGE RATE STABILITY BEFORE MEMBER COUNTRIES HAVE FULLY SOLVED THE PROBLEM OF REDUCING DIVERGENCIES IN THE DEVELOPMENT OF COST AND PRICE LEVELS, AND THAT SUCH STEPS ARE DEEMED CONDUCIVE TO THE IMPROVEMENT OF CONVERGENCE OF GENERAL ECONOMIC POLICIES IN MEMBER COUNTRIES.
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(1) STABILIZATION OF EXCHANGE RATES

THEREFORE, THE MONETARY COMMITTEE INTENDS, IN ITS REPORT, FIRST TO DESCRIBE TWO OR THREE POSSIBLE INTERPRETATIONS, ONE MORE AND ONE OR TWO LESS STRINGENT OF WHAT IS AIMED AT BY "MORE EXCHANGE RATE STABILITY AND COHERENCE AMONG E.C. CURRENCIES". THE COMMITTEE INTENDS IN THIS WAY TO PRESENT OPTIONS TO THE COUNCIL. THE CHOICE BETWEEN THEM SHOULD BE FACILITATED BY THE COMMITTEE'S DESCRIPTION OF THE IMPLICATIONS OF THE POSSIBLE ALTERNATIVES.

(2) MONETARY AND FINANCIAL INSTRUMENTS

THE COMMITTEE WILL THEN PROCEED TO ELABORATE ON THE MONETARY OR FINANCIAL INSTRUMENTS WHICH WILL HAVE TO BE USED. THE ADVANTAGES AND DISADVANTAGES INVOLVED FOR BOTH STRONG AND WEAK CURRENCIES WILL BE INDICATED. CONSIDERATION WILL ALSO BE GIVEN TO THE RELATIONSHIP BETWEEN INTERVENTION, CREDIT FACILITIES AND OTHER FORMS OF MUTUAL ASSISTANCE ON THE ONE HAND, AND THE POLICY COORDINATION MECHANISM ON THE OTHER. THE POOLING OF RESERVES WILL ALSO BE EXAMINED IN THIS CONTEXT.

THE COMMITTEE WILL ALSO TAKE THE OPPORTUNITY TO DEAL WITH THE FUTURE ROLE OF E.U.A. WHICH MIGHT BE ENVISAGED AS AN ADDITIONAL MEANS OF INTERNATIONAL SETTLEMENT WITH OR WITHOUT RESTRUCTURING EXISTING RESERVE ASSETS.

(3) POLICY COORDINATION

CONCERNING POLICIES TO FOSTER A BETTER CONVERGENCE OF ECONOMIC TRENDS IN MEMBER COUNTRIES, THE COMMITTEE WILL AGAIN REVIEW THE FEASIBILITY OF ESTABLISHING AND THEN PURSUING MONETARY TARGETS IN MEMBER COUNTRIES AND EXAMINE WHETHER THEY WOULD, IF ACCEPTED AND OBSERVED, MAKE AN EFFECTIVE CONTRIBUTION TO THE MAINTENANCE OF EXCHANGE RATE STABILITY. END STATEMENT. HINTON
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